

ORIGINAL



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

2006 MAR 23 A 9:26

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF
ARIZONA - AMERICAN WATER COMPANY TO
EXAMINE POSSIBLE FORMS OF MITIGATION
OF THE ACRM FOR ITS HAVASU WATER
DISTRICT

DOCKET NO. W-01303A-05-0890

PROCEDURAL ORDER

BY THE COMMISSION:

In Decision No. 68310 (November 14, 2005), the Arizona Corporation Commission ("Commission") approved an Arsenic Cost Recovery Mechanism ("ACRM") for Arizona-American Water Company's ("Arizona-American" or "Company") Agua Fria Water, Sun City West Water, and Havasu Water Districts. Among other things, Decision No. 68310 also directed Staff and the Company to "open a new proceeding to examine other forms of mitigation of the ACRM for the Havasu system, including the use of hook-up fees for adjacent systems" (*Id.* at 17).

On December 13, 2005, Arizona-American filed an Application in the above-captioned docket offering two proposals to mitigate the impact of the ACRM on the Havasu system. The first proposal, which the Company claims is preferred by itself and Staff, would reduce the amount of the expected Step 2 increase by capitalizing and thereby deferring recovery of eligible O&M costs until the next rate case for the Havasu system. The other proposal would implement impact fees in the Company's Mohave Water District to offset much of the Havasu District ACRM step increases.

On January 23, 2006, Staff filed the Direct Testimony of Crystal Brown. Staff indicates that it is in substantial agreement with the Company's first proposal described above, with the following modifications: the start date of AFUDC accrual should be changed; accumulated amortization of CIAC related to arsenic treatment plant in the arsenic rate base calculation should be recognized; and accumulated deferred income taxes related to arsenic treatment plant in the arsenic rate base calculation should be recognized.

IT IS THEREFORE ORDERED that this matter shall be scheduled for **hearing** on **May 8,**

2006, at 10:00 a.m., at the Commission's offices, 1200 West Washington, Phoenix, Arizona.

IT IS FURTHER ORDERED that public comment will be taken at the commencement of the hearing, prior to the testimony of witnesses.

IT IS FURTHER ORDERED that Arizona-American shall file its Direct Testimony and associated exhibits to be presented at hearing on or before April 21, 2006.

IT IS FURTHER ORDERED that Intervenors shall file Direct Testimony by April 21, 2006.

IT IS FURTHER ORDERED that Rebuttal Testimony by Staff shall be filed by April 28, 2006.

IT IS FURTHER ORDERED that Surrebuttal Testimony by the Company and Intervenors shall be filed by May 5, 2006.

IT IS FURTHER ORDERED that the Company shall provide notice in the following form and style, with the heading in no less than 12 point bold type and the body in no less than 12 point regular type:

PUBLIC NOTICE OF HEARING ON THE
THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC.
TO EXAMINE POSSIBLE FORMS OF MITIGATION OF THE ACRM
FOR HAVASU WATER DISTRICT
DOCKET NO. W-01303A-05-0890

On December 13, 2005, Arizona-American Water Company ("Company") filed an application with the Arizona Corporation Commission ("Commission") to examine possible forms of mitigation of the Arsenic Cost Recovery Mechanism for its Havasu Water District. Copies of the Company's application and proposed tariffs and of the report of the Commission's Staff are/will be available at the Company's offices and the Commission's offices for public inspection during regular business hours and on the internet via the Commission website (www.azcc.gov) using the e-docket function.

The Commission will hold a **hearing** on this matter beginning on **May 8, 2006, at 10:00 a.m.**, at the Commission's offices, 1200 West Washington, Phoenix, Arizona. Public comments will be taken at the commencement of the hearing.

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Intervention shall be permitted to any person entitled by law to intervene and having a direct and substantial interest in the matter. Persons desiring to intervene must file a written motion to intervene with the

Commission, which motion should be sent to the Company or its counsel and to all parties of record, and which, at the minimum, shall contain the following:

1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer of the Company, a shareholder of the Company, etc.).
3. A statement certifying that a copy of the motion to intervene has been mailed to the Company or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that **all motions to intervene must be filed on or before April 21, 2006.** The granting of intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any customer from appearing at the hearing and making a statement on such customer's own behalf.

If you have any questions or concerns about this application or have any objections to its approval, or wish to make a statement in support of it, you may write the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000 or appear at the hearing and make comment.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Linda Hogan, at LHogan@azcc.gov, voice phone number 602/542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.

IT IS FURTHER ORDERED that Arizona-American shall publish notice in a newspaper of general circulation in its Havasu and Mohave service areas, to begin as soon as possible and to be completed on or before April 10, 2006.

IT IS FURTHER ORDERED that the Company shall file certification of publication as soon as practical after the mailing has been completed, but no later than April 28, 2006.

IT IS FURTHER ORDERED that notice shall be deemed complete upon publication notwithstanding the failure of an individual property owner or customer to read or receive the notice.

IT IS FURTHER ORDERED that the ex parte rule (A.A.C. R14-3-113 – Unauthorized

1 Communications) continues to apply to this proceeding.

2 IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend,
3 or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at
4 hearing.

5 Dated this 23rd day of March, 2006

7 

8 DWIGHT D. NODES
9 ASSISTANT CHIEF ADMINISTRATIVE LAW JUDGE

10 Copies of the foregoing mailed/delivered
this 23 day of March, 2006 to:


11 Craig A. Marks
12 Arizona-American Water Company
13 19820 N. 7th Street, Ste. 201
Phoenix, AZ 85024

14 Christopher Kempley, Chief Counsel
15 Legal Division
ARIZONA CORPORATION COMMISSION
16 1200 West Washington Street
Phoenix, AZ 85007

17 Ernest G. Johnson, Director
18 Utilities Division
ARIZONA CORPORATION COMMISSION
19 1200 West Washington
Phoenix, AZ 85007

20 ARIZONA REPORTING SERVICE, INC.
21 2627 N. Third Street, Ste. Three
Phoenix, Arizona 85004-1104

22 By:

23 
24 Molly Johnson
25 Secretary to Dwight D. Nodes
26
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